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ABSTRACT

According to the definition of the Social Security Administration, a family of four was considered "poor" when their total annual income was less than $3,000. In 1955, the Household Food Consumption Survey found that all families spent one-third of their annual income on food, regardless of place of residence and income level, and farmers produced about 40 percent of the food consumed on their farms. On this basis, the poverty income level for farm families was designated at $1,800. In 1969, this was adjusted to 30 percent, and the farm poverty income cutoff was $2,100. This method for setting the poverty level tends to discriminate against the poor, and many are above poverty level by definition only. The 30 percent farm differential is outdated because other costs besides food are likely to be the same as or greater than in the city. Using the 70 percent level, 29.9 million people in both farm and nonfarm areas were in the poverty category. If this level were shifted to 85 percent, an additional 700,000 rural people in poverty would be included in the national total. (BC)

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# The Farm Poor: Counted, Miscounted or Discounted?

O. Wendell Holmes*

Charles Dickens in his story, A Tale of Two Cities, opens with the statement, "It was in the best of times, it was in the worst of times, . . . it was the spring of hope, it was the winter of despair . . . . This perhaps echoes the sentiment of many people in the United States today. Our economy is in the best of times for many, but in the worst of times for others. For some their economic position puts them in a real spring of hope. For others, their future appears as a winter of despair.

In order to more equitably share the wealth of our nation with its less affluent citizens, guidelines are needed to determine who the less affluent are, what constitutes being in poverty, and what some of the attributes of the poor are.

The lack of financial resources is the handiest explanation of poverty. The current definition has been built around income: how much is necessary to maintain a family of four persons at a given level of living. This definition of poverty was developed for use by the Council of Economic Advisers in the President's War on Poverty. Later the Social Security Administration (SSA) developed a poverty line centering around $3,000. In this definition, a family of four was considered "poor" if their total annual cash income was less than $3,000 and a single unrelated individual "poor" if his annual income was less than $1,500 [4]. The SSA refined this definition by including such variables as family composition,

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sex of head, and place of residence, (farm or nonfarm). The resulting poverty index is the officially adopted poverty definition of the Council of Economic Advisers and the Office of Economic Opportunity.

In 1955 the Household Food Consumption Survey indicated that families of four persons, regardless of income level or place of residence, spent about one-third of their annual income on food. It was thus assumed that an income of at least 3 times the cost of the economy food plan was necessary to keep a family out of poverty. Using the economy food plan as developed by the USDA, and a multiplier of "3" as obtained from the 1955 survey, a poverty cutoff level was established. Thus if the food plan was priced at $1,000, the resulting income would be $3,000. Any family of four with an income of less than $3,000, spending $1,000 or more for food would be considered to be in poverty.

This same survey showed that about 40 percent of the food consumed by farm families was produced at home. This means that the average farm family would produce about $400 worth of the $1,000 total food budget, and hence need 40 percent less cash for their food expenses. The food budget for farm families was thus determined to be $1,000-$400=$600. This $600 figure was then used as the cost of the food plan and tripled to get a farm family poverty income level of $1,800. For nonfarmers the poverty income level was $3,000.

Data from the 1961 food consumption survey showed that home production of food items by farm families had decreased to about 30 percent of their food needs, in dollar value. The poverty line for farm families was then adjusted to take this into consideration. Using the same food plan as before as an example, the new food budget for farm families was $1,000-

$300, or $700. This $700 food budget was then multiplied by 3 to give a farm poverty income cutoff of $2,100. This is the 70 percent poverty level. The cutoff for an urban family was the same as before, $3,000.

A number of weaknesses in the methods employed in determining the farm poverty cutoffs seem obvious. The food plan as used here was designed by the USDA using data from the National Research Council, for temporary or emergency use when funds are low [5]. There is no provision for improving the diet of the poor in this food plan.

The main weakness is the manner in which this method tends to discriminate against the farm poor. Because of the assumed ability of a farm family to produce 30 percent of their food (in dollar value) it was incorrectly assumed that a farm family needed only 70 percent as much income as a nonfarm family. Currently the food plan for a family of four is valued at about $1,100. The value of home produced food (in this case $330) is then subtracted from the cost of the food plan. The result, $770, is then tripled giving $2,310 as the poverty threshold cutoff level for farm families.. In what started out to be a $330 deduction because of the benefits of home produced food, ended up to be a $990 deduction from the farmers income, or an implicit assumption that the farmer produced 90 percent of his food needs.

The current food budget of $1,100 needs to be changed to account for recent increases in the cost of food. The current (1969) cost of the minimal nutrition diet for a family of four is now computed to be $1,284 per year. Using the multiplier of "3" on this figure would raise the poverty cutoff to $3,852 [1, p. 290].

As mentioned earlier, using the 70 percent level tends to discrim-

inate against the poor in that many are declared to be out of poverty by definition only. However, the people not counted at the 70 percent level (but included at higher levels) are just as poor as ever. Because they are excluded from the poverty rolls means there are by definition fewer rural people in poverty. With fewer rural people on the poverty rolls and with their scattered residence they are hard to identify. They are virtually without the experienced leadership or organization necessary to give them the voice or vote they need to gain either national recognition or political bargaining power. Thus the number of programs and funds earmarked for the rural poor may not be as large proportionally as it is for the urban poor. In 1965, only 18 percent of the Community Action Program (CAP) grants went to the rural area programs. This percentage increased in 1966 to 25 and in 1968 to 30 percent. While the percentage of CAP grants going to rural areas has been on the increase, it is still low considering that 43 percent of the nation's poor are rural residents [2].

The differential as currently used discriminates against rural children and youths who are the target groups which should receive the greatest assistance. Since eligibility for programs such as Upward Bound, Headstart, and Family Planning is contingent on being in poverty, many farm families are denied such programs since they have been defined out of poverty.

To assume that farmers need only 70 percent as much cash income as urban families is incorrect? Comparable living standards in the country would probably cost as much as in the city. Frequently the assumption is made that rural living is much cheaper than living in urban areas. Often that assumption is valid only if one assumed that a lower standard

of living is appropriate in rural areas [3]. In 1961, for example, among families with less than $3,000 annual income, farm families whose average annual income was nearly $700 less than that of urban families spent nearly the same dollar amount for transportation and nearly seven percent more of their income on transportation. Farm families often pay larger shares of medical expense out of pocket, while nonfarm families may profit from fringe benefits such as medical insurance and other advantages offered as part of their employment.

Because of the less developed infrastructure where the low income population is likely to be concentrated, other costs may significantly influence their lives and outlook. Among these other costs are: inadequate educational institutions, poor housing and the complex of factors related to it such as plumbing, lighting, fuel and heat. A lack of community institutions, or social and physical access to them, constitutes both direct and indirect costs which contribute to the general cultural milieu of poverty linked conditions.

Data from the 1967 Current Population Survey of 1966 income shows clearly the effect of various percentage differentials on the number of persons who will be defined into poverty. Using the 70 percent level, the total number of persons in poverty both farm and nonfarm in 1966 was 29.9 million. The President's National Advisory Commission on Rural Poverty in its report "The People Left Behind," estimated that shifting the differential from 30 to 15 percent would include an additional 700,000 rural people in poverty. Analysis of the 1967 CPS data shows this to be true. Changing the threshold still more to the 90 percent level brings in an additional 200,000 poor. Elimination of the threshold

increases the poverty count by a total of 1.3 million persons over the 70 percent level.

That the 30 percent differential is outdated seems clear. How much higher it should be is a moot question. Data are not available to defend any one specific level. What evidence is available seems to indicate that the differential should be considerably lower, if not eliminated completely.

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